

MNQUMA LOCAL MUNICIPALITY

BUDGET AND TREASURY OFFICE




**DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAMEWORK (MTREF)
BUDGET 2013-2016 TO COUNCIL**


Compiled By:


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1. DRAFT MEDIUM TERM REVENUE AND EXPENDITURE FRAME WORK BUDGET (MTREF) 2013-2016

(i) Purpose

Purpose of this document is to present the Draft MTREF budget for 2013-2016 for both operating and Capital; proposed Tariff Structure and policies to council for approval.

(ii) Legal or statutory requirement

- (1) Section of 215 of the constitution of the South Africa that defines the underpinning principles for National, Provincial and Municipal Budgets
- (2) Section 16(1) of the MFMA states that, the council of a municipality must for each of the financial year approve an annual budget for the Municipality before the start of that financial year.
- (3) Section 16(2) of the MFMA states that, In order for a municipality to comply with subsection (1), the Mayor of a Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (4) Section 21(2) of the MFMA states that, When preparing the annual budget, the mayor of a municipality must:-
 - (b) Taking into account realistic revenue and expenditure projections for future years;
 - (c) take into account the national budget, the relevant provincial budget, the national government's fiscal and macro-economic policy, the annual Division of Revenue Act and any agreements reached in the Budget Forum;
5. It is a statutory obligation, which finds its expression in Chapter 4 of the MFMA No. 56 of 2003 Section 24(1), the municipal council must at least 30 days before the start of the budget year consider approval of annual budget.
6. Our draft budget for the year 2013-2016 is prepared using circular 66 issued on the 11 December 2012 by National Treasury.

iii) Background exposition, facts and proposals

The municipality is required by Municipal Finance Management Act to adopt a budget process plan with clear time frames to be followed when compiling annual budget, the process plan was compiled and adopted by council on the 29th August 2012

This is to present the Draft MTREF budget for 2013-2016 of R **315 MIL** for both capital, operating projects and operating budget, the proposed Tariff Structure for 2013-2014 and proposed policies.

Draft MTREF Budget has been developed taking into account all the priorities of the institution as contained in the Five year strategic plan (IDP). Furthermore taking into account the priorities as set by the President of the country in the state of the nation address as indicated on the circular.

The personnel budget, projects from the capital budget and operating projects are flowing from the proposed objectives and strategies and funds have been allocated to ensure that there is an alignment with IDP.

The table below indicates sources of funding that funds our draft MTREF 2013-2016

(a) Government grants as per Division of Revenue Act are as follows:

| GRANT | ALLOCATIONS 2012-2015 | | |
|---|-----------------------|--------------------|--------------------|
| | 2013-2014 | 2014-2015 | 2015-2016 |
| Equitable Share | 168 933 000 | 191 570 000 | 236 239 000 |
| Finance Management Grant | 1 550 000 | 1 600 000 | 1 650 000 |
| Municipal System's Improvement Grant | 890 000 | 934 000 | 967 000 |
| Expanded Public Works Programme Grant | 1 000 000 | 0 | 0 |
| Electricity Demand Side Management Grant | 0 | 0 | 5 000 000 |
| Municipal Infrastructure Grant | 56 046 000 | 60 055 000 | 64 219 000 |
| Integrated National Electrification Programme | 20 000 000 | 25 000 000 | 30 000 000 |
| Grand Total | 248 419 000 | 279 159 000 | 338 075 000 |

(b) Funds from the own sources

| ANTICIPATED | | | |
|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------|
| EXECUTIVE I&E SUMMARY | 2013/2014 PROPOSED BUDGET | 2014/2015 Indicative Budget | 2015/2016 Indicative Budget |
| PROPERTY RATES | (13,566,246) | (14,366,655) | (15,214,287) |
| SERVICE CHARGES-REFUSE | (4,099,866) | (4,321,259) | (4,554,607) |
| RENTAL OF FACILITIES AND EQUIPMENT | (2,321,988) | (2,447,376) | (2,579,534) |
| INTEREST EARNED-EXT INVESTMENTS | (2,500,000) | (2,635,000) | (2,777,290) |
| INTEREST EARNED-OUTSTANDING DEBTORS | (1,573,407) | (1,658,371) | (1,747,923) |
| FINES | (1,645,940) | (1,734,821) | (1,828,501) |
| AGENCY SERVICES | (2,937,003) | (3,095,601) | (3,262,763) |
| TRAFFIC SERVICES | (1,026,497) | (1,081,928) | (1,140,352) |
| OTHER REVENUE | | | (547,601) |

| | | | |
|--------------------------|--------------|--------------|--------------|
| | (492,927) | (519,545) | |
| GAINS ON DISPOSAL OF PPE | (560,000) | (590,240) | (622,113) |
| TOTAL DIRECT REVENUE | (30,723,874) | (32,450,795) | (34,274,972) |

The draft budget is based on the following:

1. Growth on salaries and wages bill has been provided for in the budget at 6.85% based on salary and wage collective agreement and general expenses 5.6% based on the current and projected CPI (Refer to **Annexure A**)
2. Personnel expenditure increase for Section 57 Manager's is 5.3% based on the CPI extracted in Circular 67 (**Annexure A**)
3. Personnel expenditure increase for Councilors is based on 5,5% increases for 2012/2013 as per gazette no 35962 (**Annexure B**)
4. Included in the budget are depreciation expenses, provisions for leave and provisions for write off of bad debts

1. BELOW IS THE MTREF 2013-2016 OPERATING BUDGET AS PER SECTION 17(3) a (i)

| EXECUTIVE I&E SUMMARY | 2010/2011 AUDITED OUTCOMES | 2011/2012 AUDITED OUTCOMES | 2012/2013 APPROVED BUDGET | 2012/2013 FORECAST | 2013/2014 PROPOSED BUDGET | 2014/2015 Indicative Budget | 2015/2016 Indicative Budget |
|--|----------------------------------|----------------------------------|------------------------------|------------------------|------------------------------|-----------------------------------|-----------------------------------|
| OPERATING REVENUE | | | | | | | |
| PROPERTY RATES | (10, 419, 471) | (10, 711, 797) | (13, 566, 246) | (10, 943, 446) | (13, 566, 246) | (14, 366, 655) | (15, 214, 287) |
| PROPERTY TAXES | (11, 805, 911) | (12, 919, 019) | (15, 773, 468) | (15, 316, 395) | (15, 773, 468) | (16, 625, 235) | (17, 522, 998) |
| REVENUE FOREGONE | 1,386,441 | 2,207,222 | 2,207,222 | 4,372,949 | 2,207,222 | 2,207,222 | 2,207,222 |
| SERVICE CHARGES | (6, 573, 005) | (3, 404, 162) | (3, 893, 510) | (3, 425, 983) | (4, 099, 866) | (4, 321, 259) | (4, 554, 607) |
| SERVICE CHARGES-REFUSE | (6, 573, 005) | (3, 404, 162) | (3, 893, 510) | (3, 425, 983) | (4, 099, 866) | (4, 321, 259) | (4, 554, 607) |
| RENTAL OF FACILITIES AND EQUIPM | (2, 291, 300) | (2, 180, 122) | (2, 205, 117) | (2, 178, 444) | (2, 321, 988) | (2, 447, 376) | (2, 579, 534) |
| INTEREST EARNED-EXT INVESTMENTS | (2, 061, 428) | (4, 055, 587) | (2, 258, 000) | (3, 316, 116) | (2, 500, 000) | (2, 635, 000) | (2, 777, 290) |
| INTEREST EARNED-OUTSTANDING DEB | (968, 163) | (1, 049, 353) | (945, 933) | (2, 332, 409) | (1, 573, 407) | (1, 658, 371) | (1, 747, 923) |
| FINES | (891, 258) | (1, 753, 778) | (1, 563, 096) | (1, 271, 066) | (1, 645, 940) | (1, 734, 821) | (1, 828, 501) |
| AGENCY SERVICES | (3, 207, 331) | (3, 259, 055) | (2, 789, 176) | (2, 986, 185) | (2, 937, 003) | (3, 095, 601) | (3, 262, 763) |
| TRAFFIC SERVICES | (1, 239, 516) | (1, 239, 516) | (1, 326, 980) | (809, 909) | (1, 026, 497) | (1, 081, 928) | (1, 140, 352) |
| TRANSFERS RECOGNISED-OPERATIONAL | (117, 253, 133) | (115, 310, 853) | (153, 903, 071) | (164, 009, 245) | (167, 913, 538) | (197, 635, 787) | (242, 584, 359) |
| OTHER REVENUE | (420, 724) | (407, 792) | (4, 146, 965) | (3, 949, 483) | (492, 927) | (519, 545) | (547, 601) |
| GAINS ON DISPOSAL OF PPE | - | (56, 929) | (666, 292) | (666, 292) | (560, 000) | (590, 240) | (622, 113) |
| TOTAL DIRECT REVENUE | (145, 325, 329) | (143, 428, 944) | (187, 264, 387) | (195, 888, 577) | (198, 637, 412) | (230, 086, 582) | (276, 859, 331) |
| OPERATING EXPENDITURE | | | | | | | |
| EMPLOYEE RELATED COSTS | 83, 932, 744 | 78, 797, 613 | 94, 940, 754 | 89, 286, 832 | 113, 714, 596 | 117, 909, 675 | 124, 276, 797 |
| EMPLOYEE RELATED COST-REMUNERAT | 70, 649, 059 | 66, 352, 890 | 78, 409, 728 | 73, 669, 197 | 93, 541, 633 | 96, 992, 505 | 102, 230, 100 |
| EMPLOYEE RELATED COST-SOCIAL CO | 13, 283, 685 | 12, 444, 724 | 16, 531, 026 | 15, 617, 635 | 20, 172, 963 | 20, 917, 170 | 22, 046, 697 |
| REMUNERATION OF COUNCILLORS | 13, 651, 068 | 15, 810, 658 | 20, 088, 686 | 19, 079, 189 | 21, 091, 173 | 22, 230, 096 | 23, 430, 522 |
| DEBT IMPAIRMENT | 9, 780, 251 | 4, 833, 185 | 3, 500, 000 | 3, 500, 000 | 4, 833, 185 | 5, 094, 177 | 5, 369, 263 |
| DEPRECIATION & ASSET IMPAIRMENT | 20, 646, 217 | 33, 898, 322 | 3, 536, 649 | 2, 987, 285 | 31, 544, 564 | 33, 247, 970 | 35, 043, 361 |
| FINANCE CHARGES | 2, 280, 115 | 2, 467, 159 | 4, 371, 705 | 3, 178, 555 | 3, 167, 889 | 3, 338, 955 | 3, 519, 259 |
| BULK PURCHASES | 3, 372, 475 | 1, 351, 059 | 4, 000, 000 | 727, 011 | 4, 000, 000 | 4, 216, 000 | 4, 443, 664 |
| OTHER MATERIALS | 20, 873, 057 | 3, 163, 366 | 6, 677, 292 | 4, 479, 552 | 6, 068, 537 | 6, 396, 238 | 6, 741, 635 |
| CONTRACTED SERVICES | 5, 853, 768 | 7, 535, 631 | 10, 386, 073 | 8, 679, 548 | 8, 322, 483 | 8, 771, 897 | 9, 245, 579 |
| TRANSFERS AND GRANTS | - | - | 15, 905, 000 | 22, 750, 903 | 17, 998, 000 | 16, 234, 212 | 17, 062, 879 |
| OTHER EXPENDITURE | 12, 319, 081 | 15, 597, 672 | 23, 858, 228 | 20, 393, 566 | 24, 128, 492 | 25, 389, 271 | 26, 760, 291 |
| LOSS ON DISPOSAL OF PPE | - | - | - | - | - | - | - |
| CONTRIBUTION TO CAPEX | - | - | - | - | - | - | - |
| TOTAL: DIRECT EXPENDITURE | 172, 708, 776 | 163, 454, 665 | 187, 264, 387 | 175, 062, 441 | 234, 868, 919 | 242, 828, 491 | 255, 893, 250 |
| (SURPLUS)/DEFICIT | 27, 383, 447 | 20, 025, 721 | 0 | (20, 826, 136) | 36, 231, 507 | 12, 741, 910 | (20, 966, 081) |
| OTHER TRANSFERS AFTER SURPLUS/DEFICIT | | | | | | | |
| TRANSFERS RECOGNISED-CAPITAL (R | (36, 264, 028) | (28, 388, 162) | (71, 757, 929) | (74, 353, 356) | (72, 638, 462) | (81, 460, 293) | (98, 007, 821) |
| CONTRIBUTIONS RECOGNISED-CAPITA | (14, 092, 515) | (11, 467, 453) | (6, 655, 000) | (35, 267, 762) | (7, 870, 000) | (8, 294, 980) | (8, 742, 909) |
| CONTRIBUTED ASSETS | - | - | - | - | - | - | - |
| TRANSFER TO RESERVES | - | - | - | - | - | - | - |
| SURPLUS/(DEFICIT) AFTER CAPITAL | (50, 356, 543) | (39, 855, 615) | (78, 412, 929) | (130, 447, 254) | (80, 508, 462) | (89, 755, 273) | (106, 750, 730) |

Below are the explanatory notes of the Expenditure budget:

1. Personnel Budget

- a) Expenditure on Personnel has been aligned with municipal staff keys book to avoid virements and adjustment that occurs during the year. Budget for personnel has been increased from R95m to R113m. This is mainly due to the revised organogram that was approved that saw an addition in the staffing of the municipality. The following new positions were introduced in the new organogram: Chief Operation Officer, Additional Middle Management Positions.
- b) The increase is also as a result of proposed salary increase of 6.85% for employees below section 56 and 5.3% for section 57 managers.
- c) Councilors' Allowances increase is as a result of proposed increment of 5.5%, in Gazette 35962. *Allowances for councilors increased from R20m to R21m.*

2. Budgeted non cash items

These are non-cash items that are regulated by Generally Recognised Accounting Practise (**GRAP**) standards and include depreciation and provision for bad debts.

a) Finance Charges

Interest on overdue accounts and repayment of loan (vehicle finance lease) are budgeted under finance lease.

b) Bulk Purchases

Indigent subsidies are budgeted under this vote

c) Other Materials and Maintenance

R2.4m has been budgeted for computer repairs, road maintenance, street lights etc.

d) Contracted Services

Audit Committees' remunerations, Audit Fees, insurance premiums, legal fees, registration and licensing and also contemplated outsourcing of the security function are budgeted under this section.

Operating projects are funded by Equitable Share, FMG, MSIG, EPWP and MIG.

Attachment in **Annexure C**.

Table below summarizes the operating projects for the next three years

MTREF OPERATING PROJECTS PER DIRECTORATE 2013-2016

| OPERATING PROJECTS PER DIRECTORATE | | | |
|---|-------------------|-------------------|-------------------|
| DIRECTORATE | 2013/2014 | 2014/2015 | 2015/2016 |
| Office Of The Municipal Manager | 500 000 | 526 500 | 552 825 |
| Local Economic Development | 1 350 000 | 1 421 550 | 1 492 628 |
| Chief Operations Officer | 3 650 000 | 3 843 450 | 4 035 623 |
| Infrastructural Planning And Development | 6 310 538 | 5 590 571 | 10 863 943 |
| Community Services | 3 270 000 | 3 443 310 | 3 615 476 |
| Budget And Treasury | 2 910 000 | 3 030 335 | 3 144 309 |
| Corporate Services | 3 418 000 | 3 599 154 | 3 779 112 |
| TOTAL | 21 408 538 | 21 454 870 | 27 483 913 |

SUMMARY OF MTREF OPERATING PROJECTS PER FUNDING SOURCE 2013-2016

| OPERATING PROJECTS PER FUNDING SOURCE | | | |
|--|-------------------|-------------------|-------------------|
| FUNDING | 2013/2014 | 2014/2015 | 2015/2016 |
| Municipal Systems Improvement Grant | 890 000 | 934 000 | 967 000 |
| Equitable Share | 14 558 000 | 15 329 574 | 16 096 053 |
| Finance Management Grant | 1 550 000 | 1 600 000 | 1 650 000 |
| Municipal Infrastructure Grant | 3 410 538 | 3 591 296 | 3 770 861 |
| Expanded Public Works Programme | 1 000 000 | - | - |
| Electricity Demandside Management Grant | - | - | 5 000 000 |
| TOTAL | 21 408 538 | 21 454 870 | 27 483 913 |

SUMMARY OF MTREF OPERATING PROJECTS PER CLUSTER

OPERATING PROJECTS PER CLUSTER

| CLUSTER | 2013/2014 | 2014/2015 | 2015/2016 |
|---|-------------------|-------------------|------------------|
| Basic Service Delivery and Infrastructure Development | 6 110 538 | 5 381 396 | 10 650 44 |
| Financial Viability and Management | 1 400 000 | 1 472 775 | 1 540 25 |
| Good Governance and Public Participation | 5 510 000 | 5 789 914 | 6 062 18 |
| Local Economic Development (Socio-economic Development) | 3 420 000 | 2 601 260 | 3 781 37 |
| Municipal Transformation & Institutional Development | 4 968 000 | 5 209 525 | 5 449 67 |
| TOTAL | 21 408 538 | 21 454 870 | 27 483 91 |

SUMMARY OF MTREF OPERATING PROJECTS PER IDP OBJECTIVE

| OPERATING PROJECTS PER IDP OBJECTIVE | | | |
|---|-----------|-----------|-----------|
| IDP OBJECTIVE | 2013/2014 | 2014/2015 | 2015/2016 |
| Improve internal controls for clean administration purposes by continuous implementation of policies and legislation by June 2017 | 1 490 000 | 1 556 874 | 1 617 476 |
| Improve law enforcement mechanisms through partnerships with other law enforcement agencies and enhancing the Implementation of municipal by-laws, regulations and legislation by June 2017 | 100 000 | 105 300 | 110 565 |
| Improve the participation of communities and stakeholders in the affairs of the municipality by developing and implementing mechanisms and systems for community participation by June 2017 | 1 700 000 | 1 790 100 | 1 879 605 |
| To create a learning organization through building capacity of human capital internally and externally thereby improving the skills base of the municipality by June 2017 | 3 818 000 | 3 998 575 | 4 178 181 |
| To ensure adequate transportation system for the efficient movement of goods and people by 2017 | 4 410 538 | 3 591 296 | 3 770 861 |
| To establish and maintain a fully functional, responsive and accountable administration by adhering to the prescripts of Municipal legislation by 2017 | 1 150 000 | 1 210 950 | 1 271 498 |
| To facilitate the Development of Land in a sustainable manner by June 2017 | 500 000 | 526 500 | 552 825 |
| To have an Integrated plan for the development, maintenance and management of public amenities by June 2017 | 1 200 000 | 1 263 600 | 1 326 780 |
| To improve municipal planning processes with the aim of sustaining credibility of the IDP and Budget by adhering to legislative prescripts and policies by June 2017 | 1 270 000 | 1 337 310 | 1 404 176 |
| To improve Solid waste and Environmental Management in line with | 1 970 000 | 2 074 410 | 2 178 131 |

| | | | |
|--|-------------------|-------------------|-------------------|
| the applicable legislation by June 2017 | | | |
| To improve the economic development within Mquma Municipality by 2017 | 1 350 000 | 1 421 550 | 1 492 628 |
| To increase institutions revenue by 20% by ensuring full implementation of revenue strategy by June 2017 | 1 400 000 | 1 427 775 | 1 540 257 |
| To manage institutional performance through implementation of PMS Regulations, Framework, Policy and Procedures by June 2017 | 1 050 000 | 1 105 650 | 1 160 933 |
| To facilitate access to households with energy to 100% by 2012 | | | 5 000 000 |
| TOTAL | 21 408 538 | 21 454 870 | 27 483 914 |

OTHER EXPENDITURE

Administration Cost has increased from R 23 858 288 to 24 128 492.

General items such as advertising, telephone, fuel, subsistence and travel, sundries etc. are budgeted under this category.

BELOW IS THE MTREF 2013-2016 CAPITAL BUDGET AS PER SECTION 17(3) a (i)

Capital budget has been allocated such that service delivery directorates receives better share than support Directorates. Capital budget has increased from **R 78 412 929 to R80 508 462**. More detail is Annexure D

BELOW IS THE SUMMARY OF MTREF CAPITAL BUDGET 2013-2016 AS PER SECTION 17(2)

CAPITAL PROJECTS PER DIRECTORATE

| DIRECTORATE | 2013/2014 | 2014/2015 | 2015/2016 |
|---|-------------------|-------------------|-------------------|
| OFFICE OF THE MUNICIPAL MANAGER | - | - | - |
| LOCAL ECONOMIC DEVELOPMENT | 550,000 | 579,150 | 608,108 |
| CHIEF OPERATIONS OFFICER INFRASTRUCTURAL PLANNING AND DEVELOPMENT | - | - | - |
| | 76,778,462 | 85,763,139 | 94,891,943 |
| COMMUNITY SERVICES | 1,500,000 | 1,579,500 | 1,658,475 |
| BUDGET AND TREASURY | 480,000 | 505,440 | 530,712 |
| CORPORATE SERVICES | 1,200,000 | 1,263,600 | 1,326,780 |
| TOTAL PER DIRECTORATE | 80,508,462 | 89,690,829 | 99,016,018 |

CAPITAL BUDGET BY FUNDING SOURCES

| FUNDING SOURCE | 2013/2014 | 2014/2015 | 2015/2016 |
|--|-------------------|-------------------|-------------------|
| Equitable Share | 7 870 000 | 8 287 110 | 8 701 466 |
| Integrated National Electrification Programme | 20 000 000 | 25 000 000 | 30 000 000 |
| Municipal Infrastructure Grant | 52 638 462 | 56 403 719 | 60 314 552 |
| TOTAL | 80 508 462 | 89 690 829 | 99 016 018 |

CAPITAL BUDGET PER CLUSTER

| CLUSTER | 2013/2014 | 2014/2015 | 2015/2016 |
|---|-------------------|-------------------|-------------------|
| Basic Service Delivery and Infrastructure Development | 76 188 462 | 85 141 869 | 94 239 610 |
| Financial Viability and Management | | | |
| Good Governance and Public Participation | | | |
| Local Economic Development (Socio-economic Development) | 1 000 000 | 1 579 500 | 1 658 475 |
| Municipal Transformation & Institutional Development | 2 820 000 | 2 969 460 | 3 117 933 |
| | | | |
| TOTAL | 80 508 462 | 89 690 829 | 99 016 018 |

TARIFF STRUCTURE as per Section 17(3) a(ii)

Tariffs have not been increased or decreased due to low collection of rates and services. A new tariff has been introduced for the exclusive use of parks. The tariff has been set at R210 per day.

REVIEWED POLICIES

There are no changes in the budget related policies in the year under review

(iv) Staff implications

None

(v) Financial implications

1. Operating income budget has decreased from **R 187 264 387** to **R 198 637 412**
2. Operating Expenditure budget has been increased from **R 187 264 387** to **R 234 868 919**
3. Capital Budget has increased from **R 78 412 929** to **R 80 508 462**
4. Operating budget has a deficit of **R 36 231 507**

(vi) Annexures

- A Extract from Circular 67 (Salary and Wage Collective Agreement)
- B SALGA Gazzette 35962
- C Draft Operating MTREF Budget 2013-2016 as per S17 (3) a (i) of the MFMA 56 of 2003
- D Draft Capital MTREF Budget 2013-2016 as per S17 (3) a (i) of the MFMA 56 of 2003
- E Draft Operating Projects MTREF budget 2013-2016
- F Draft Tariff Structure 2013-2014 as per S17 (3) a (ii) of the MFMA 56 of 2003

(vii) Recommendations

It is hereby recommended that Council approves Draft MTREF Budget 2013-2016